

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 XMB-02 JUSE-00

L-03 AID-05 FRB-03 CIAE-00 INR-07 NSAE-00 H-01 SSO-00

INRE-00 /039 R

DRAFTED BY EA/IMS:ARDORNHEIM:CCH

APPROVED BY EA/IMS:WILLIAM S. SHEPARD

-----112318Z 015209 /63-62

O 112257Z FEB 77

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, BGEN, ID

SUBJECT: DOMSAT CASE

1. COPY PROXMIRE-DUBRUL CORRESPONDENCE ON THIS SUBJECT
HAS BEEN POUCHED TO BARDACH.

2. IN HIS FEB 8 REPLY DUBRUL RECOUNTS SEP 74 MEETING OF
EXIM STAFF WITH CHEATHAM, WHO THEN REPRESENTED HIMSELF
AS PRESIDENT OF COMTRAD CORPORATION, AN ALEXANDRIA,
VIRGINIA, CONSULTANT TO GT AND E. HE ALLUDED TO
NECESSITY FOR "PAYOFFS" IN INDONESIA BUT APPARENTLY
NAMED NO NAMES. FOLLOWING CHEATHAM'S SUGGESTION, EXIM
STAFF MET NEXT WITH WILLIAM L. BELL, THEN AN OFFICER IN
INTERNATIONAL NICKEL CORP WITH EXPERIENCE IN INDONESIA,
WHO DID VIRTUALLY NOTHING TO CORROBORATE CHEATHAM'S STATE-
MENT. ALTHOUGH IT HAD ONLY UNSUBSTANTIATED ALLEGATIONS
OF PAY-OFFS FROM CHEATHAM, EXIM STAFF NEVERTHELESS PURSUED
MATTER WITH HUGHES AIRCRAFT, BY THEN THE SUCCESSFUL BIDDER
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ON DOMSAT PROJECT. HUGHES EMPHATICALLY DENIED MAKING OR
AGREEING TO MAKE ANY PAY-OFFS. IN VIEW VAGUENESS OF
PAY-OFF ALLEGATIONS, LACK COOROBORATING EVIDENCE, AND
HUGHES' DENIAL OF PAY-OFFS, EXIM STAFF SAW NO REASON TO
CONTACT DEPT OF JUSTICE AT THE TIME TRANSACTION WAS BEING
CONSIDERED. PRELIMINARY COMMITMENT WAS SUBSEQUENTLY

APPROVED IN OCT 1974 AND LOAN ITSELF IN JAN 1975. UNDER LOAN TERMS HUGHES WAS OBLIGED TO SIGN STANDARD SUPPLIER'S CERTIFICATE THAT IT HAD NOT MADE ANY EXTRAORDINARY PAYMENTS AND THAT IT WOULD NOT DO SO. MOREOVER, HUGHES MUST MAKE A SIMILAR CERTIFICATION EACH TIME IT MAKES A DRAW-DOWN ON EXIM LOAN.

3. DUBRUL ASSURED SENATOR PROXMIRE THAT BANK LOOKS INTO ANY SITUATION WHERE IT HAS REASON TO BELIEVE THAT IMPROPER PAYMENTS HAVE BEEN MADE. BANK'S ABILITY AND POWERS TO INVESTIAGE SUCH MATTERS, HOWEVER, ARE LIMITED. WHEN BANK UNCOVERS ENOUGH INFORMATION TO WARRANT FURTHER ACTION, IT TURNS MATTER OVER TO DEPT JUSTICE PROMPTLY. IN ADDITION TO REQUIRING SUPPLIER CERTIFICATES, WHOSE FALSIFICATION CAN BRING CRIMINAL PROSECUTION, BANK HAS SINCE MAY 1976 REQUIRED SIMILAR CERTIFICATION FROM THE BORROWER.

4. SHARP RISE IN PROJECT COST ESTIMATES BETWEEN OCT 1974 AND JAN 1975 (FROM 91.6 DOLS TO 153.4 MILLION DOLS) WAS ATTRIBUTED BY DUBRUL TO: 1) SHIFT FROM USE OF 1973 COST DATA TO USE OF 1975 COST DATA AT TIME OF RAPIDLY RISING PRICES; 2) WHEREAS COST ESTIMATE SUBMITTED WITH APPLICATION FOR PC HAD INCLUDED 15 PERCENT ALLOWANCE FOR CONTINGENCIES AND COST ESCALATION, COST ESTIMATE SUBMITTED WITH APPLICATION FOR LOAN HAD TO TAKE ACCOUNT OF FACT THAT HUGHES CONTRACT WITH GOI WAS FIXED PRICE CONTRACT WITH NO COST ESCALATION PROVISIONS AND WAS THEREFORE SET AT LEVEL WHICH HUGHES HOPED WOULD PROTECT LIMITED OFFICIAL USE

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IT AGAINST DOUBLE DIGIT INFLATION THEN BEING EXPERIENCED IN U.S.; 3) THERE WAS AN INCREASE IN AMOUNT OF EQUIPMENT BEING PROCURED; AND 4) ESTIMATE FOR LOAN REFLECTED MORE ACCURATE DATA ON GOODS AND SERVICES REQUIREMENTS COMING FROM FINAL ENGINEERING REPORTS.
VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CORRUPTION, POLICIES, PROGRAMS (PROJECTS), DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE032073
Document Source: CORE
Document Unique ID: 00
Drafter: ARDORNHEIM:CCH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770050-0293
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770248/aaaabqmv.tel
Line Count: 103
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c9166ec7-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
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Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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SAS ID: 3337297
Secure: OPEN
Status: NATIVE
Subject: DOMSAT CASE
TAGS: EFIN, BGEN, ID, XMB
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Type: TE
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